

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6678**

**BILL NUMBER:** HB 1458

**NOTE PREPARED:** Apr 8, 2003

**BILL AMENDED:** Apr 3, 2003

**SUBJECT:** Medicaid Prescription Drug Waiver.

**FIRST AUTHOR:** Rep. Brown C

**FIRST SPONSOR:** Sen. Miller

**BILL STATUS:** As Passed - Senate

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill extends the Select Joint Commission on Medicaid Oversight to December 31, 2008. The bill allows the Office of Medicaid Policy and Planning (OMPP) to add a drug that has been approved by the FDA to the preferred drug list without prior approval from the Drug Utilization Review Board. It permits the Board to add a drug that has been approved by the FDA to the preferred drug list. (Current law allows: (1) OMPP to add only new single source drugs to the preferred drug list without prior approval of the Board; and (2) the Board to add only new single source drugs to the preferred drug list.) The bill also allows OMPP to limit access to prescription drugs for Prescription Drug Program recipients to prevent fraud and inappropriate utilization. It makes a cross reference.

**Effective Date:** (Amended) Upon passage; July 1, 2003.

**Explanation of State Expenditures:** (Revised) *Select Joint Commission on Medicaid Oversight:* The bill extends the authority for the Select Joint Commission on Medicaid Oversight from December 31, 2003, to December 31, 2008. The Commission is composed of 12 legislators. Currently, legislators receive per diem reimbursement of \$129 (based on the maximum daily amount allowable to employees of the executive branch of the federal government for subsistence expenses while away from home in travel status in the Indianapolis area) and \$0.345 mileage reimbursement. Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 members. The Legislative Council is funded with state General Fund dollars.

*Medicaid Preferred Drug List:* The bill also allows OMPP to add any drug that has been approved by the federal Food and Drug Administration (FDA) to the PDL without the approval of the Drug Utilization Review Board, which is charged with the research, development, and approval of the PDL. The bill also

allows the Board to add any FDA-approved drug to the PDL. Current statute allows the addition of a new single source drug to the list in either of these two circumstances. This provision allows OMPP to bypass the Board approval and allows the Board to bypass the recommendations of the Therapeutics Committee. (The Therapeutics Committee was established to provide the Board with additional clinical expertise for the research and development of the PDL.) This provision appears to have no significant fiscal impact since the language is permissive.

*Prescription Drug Program:* The bill specifies that the Office may not implement a Medicaid Pharmacy Plus waiver that limits access to prescription drugs unless it is to prevent fraud, abuse, waste, overutilization of prescription drugs or inappropriate utilization of prescription drugs. The bill further specifies that access may be limited to the extent that restrictions were in place on the date of enactment of the Act. This provision will preclude the Office of Medicaid Policy and Planning from using program controls similar to those used in the Medicaid Program, such as the preferred drug list, for the Hoosier Rx prescription drug program and the Pharmacy Plus Medicaid 1115 Demonstration Waiver application. The waiver application assumes that the Hoosier Rx program would be subsumed by the waiver prescription drug program. This bill may require OMPP to operate a separate, slightly different pharmacy benefit management program for the Hoosier Rx Program. It is not clear if this provision would delay the implementation of the waiver program by requiring an immediate waiver amendment.

Hoosier Rx participants receive a 50% reduction in the amount owed for a prescription at the point of sale. The participants recognize savings as a result of being charged the Medicaid cost of the prescription; any additional savings achieved by the application of cost saving measures such as the Medicaid Preferred Drug List are savings recognized immediately by the individual as well as the Hoosier Rx program and the Prescription Drug Waiver Program.

Expenditures in the Medicaid program are shared, with about 62% of program expenditures reimbursed by the federal government and 38% provided by the state.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

**Information Sources:** Amy Kruzan, Legislative Liaison for the Family and Social Services Administration, (317)-232-1149. Indiana Hoosier Rx Medicaid, Section 1115 Demonstration Waiver Application at: <http://cms.hhs.gov/medicaid/1115/in1115ihrx.asp>

**Fiscal Analyst:** Kathy Norris, 317-234-1360